



Earnings growth led by healthy topline and strong operating performance; lift TP on healthy growth prospects across the segments and operating efficiencies.

Etihaad Etisalat Co.'s (Mobily) net profit increased 20.2% Y/Y to SAR 767mn in Q1-25, in line with AJC's and market estimates of SAR 742mn and SAR 746mn, respectively. The net income growth was driven by revenue growth coupled with operating margin expansion, despite contraction in gross margin. Moreover, the increase in non-operating income and lower zakat & income tax expenses also aided the bottom line. The revenue grew 5.1% Y/Y to SAR 4.8bn, in line with our estimate of SAR 4.8bn, as the growth was registered across all the segments and number of mobile subscribers rose 5.7% Y/Y. Gross margin contracted by ~30bps Y/Y to 53.5%, which was offset by lower OPEX that led to ~120bps Y/Y expansion in operating margin. We maintain our positive outlook on Mobily, which is backed by the company's consistent growth across the segments and effective operating cost management. We expect Mobily to continue to deliver strong growth led by B2B and wholesale segments along with expanding mobile subscriber base. Thus, we maintain our **"Overweight"** recommendation on the stock with an increased TP of **SAR 67.9/share**.

- Mobily reported a 20.2% Y/Y increase in net profit, reaching SAR 767mn in Q1-25, in line with AJC's and market estimates of SAR 742mn and SAR 746mn, respectively. The rise in net income was primarily supported by revenue growth and improved operating margins, despite a decline in gross margin. Additionally, higher non-operating income and reduced zakat and income tax expenses contributed positively to the bottom line.
- Revenue increased 5.1% Y/Y to SAR 4,777mn, in line with our estimate of SAR 4,773mn. The company maintains its broad-based topline growth across segments. The mobile subscriber base expanded by 5.7% Y/Y to 13.0mn (12.3mn in Q4-24). Prepaid subscribers reached 11.0mn in Q1-25, while postpaid subscribers were at 2.0mn. FTTH connections at 0.290mn declined from 0.298mn in Q1-24 but were higher than 0.285mn in Q4-24.
- Gross profit rose 4.5% Y/Y to SAR 2,554mn, in line with our estimate of SAR 2,562mn. The GP margin fell ~30bps Y/Y 53.5%, coming below AJC's estimate of 53.7%.
- Operating profit grew 12.9% Y/Y to SAR 850mn, in line with our estimate of SAR 860mn. The impact of gross margin contraction was more than compensated for by 1.9% Y/Y decrease in OPEX. However, depreciation and amortization rose 3.0% Y/Y owing to amortization associated with acquisition of new spectrum licenses.

AJC view and valuation: Mobily's Q1-25 results were in line with our estimates. The performance strengthens our positive outlook on the company. We believe that Mobily's strategic investments in digital infrastructure such as data centers and submarine cables will help maintain growth momentum in the B2B and wholesale segments. Moreover, expanding mobile subscriber base is likely strengthen the company's presence in consumer segment as the segment already shown recovery last year with mid-single digit revenue growth. Although we expect pressure on the gross margin to sustain, it is likely to be offset by optimization of operating costs. We forecast the topline to grow 6.3% Y/Y to SAR 19.3bn in FY25E and reach SAR 22.5bn by FY29E with CAGR of 4.3% (FY24-29E). Gross margin is likely to be under pressure due to growing contribution from B2B segment and competitive pressure in the consumer segment. Thus, we forecast the gross margin to fall to 52.7% in FY25E (FY24 normalized: 52.8%) with gradual improvement to 53.0% by FY29E. However, improving operating efficiency is expected to deliver expansion in operating and EBITDA margins from 17.6% and 36.9% in FY25E to 19.4% and 37.7% in FY29E. The net income is estimated to grow at CAGR of 5.8% during FY24-29E to SAR 4.1bn. We value Mobily with 50% weightage to DCF (2.5% terminal growth and 9.0% WACC) and 25% each to EV/EBITDA (7.5x) and P/E (18.0x) based on FY25E estimates. The stock currently trades at EV/EBITDA of 7.5x, P/E of 16.8x and a dividend yield of 4.4% based on our FY25E estimates. We maintain our **"Overweight"** recommendation on the stock and lift the TP to **SAR 67.9/share**.

Recommendation **Overweight**

Target Price (SAR) 67.9

Upside / (Downside)* 7.8%

Source: Tadawul *prices as of 22nd of April 2025

Key Financials

SARmn (unless specified)	FY23	FY24	FY25E	FY26E
Revenues	16,763	18,206	19,350	20,465
Growth %	6.7%	8.6%	6.3%	5.8%
Net Income	2,232	3,107	2,891	3,288
Growth %	34.7%	39.2%	-6.9%	13.7%
EPS	2.90	4.03	3.75	4.27
DPS	1.45	2.20	2.75	3.00

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25E	FY26E
Gross Margin	55.2%	54.3%	52.7%	52.7%
EBITDA Margin	39.5%	39.5%	36.9%	36.7%
Net Margin	13.3%	17.1%	14.9%	16.1%
ROE	12.7%	15.8%	13.9%	15.0%
ROA	5.7%	7.8%	7.3%	8.1%
P/E (x)	16.9	13.2	16.8	14.8
P/B (x)	2.1	2.1	2.3	2.2
EV/EBITDA (x)	7.2	6.7	7.5	7.0
Dividend Yield	3.0%	4.1%	4.4%	4.8%

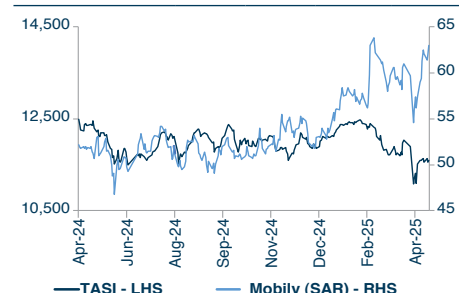
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	48.5
YTD%	18.0%
52 week (High)/(Low)	64.50/46.75
Share Outstanding (mn)	770

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital Research

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RESEARCH
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RATING
TERMINOLOGY

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2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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